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FOREIGN SERVICE DESPATCH

FROM : Amembassy ACCRA

TO : THE DEPARTMENT OF STATE, WASHINGTON

DATE: October 28, 1960

REF : Embtel 484, 10/25/60

AF EB EC EUR E L/CEA L/MSC L/T
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SUBJECT: Proposed Inclusion of Transmission Network in Volta River Project

As reported in the Embassy's telegram No. 484 under reference, the Ghana Government, Kaiser Engineers and the World Bank have been discussing on a tripartite basis, both in Washington and in Accra, the desirability and feasibility of supplementing the public sector portion of the Volta River Project with a transmission network to include Koforidua, Kumasi, Tarkwa and Takoradi and not merely Tema and Accra as presently contemplated. The additional cost of this supplement to the project would be about £G8 million 1/.

The Embassy has been informed by Major R.N.M. MILTON of the Volta River Project Secretariat that President NKRUMAH has written a letter to President Eisenhower, with a copy to Secretary Herter, summarizing the arguments in favor of including the transmission system and requesting that the United States Government consider financing it, partly from a low interest rate DLF loan and partly from MSP grant funds. These letters have been transmitted through the Ghana Embassy in Washington. The reporting officer expressed to Major Milton the view that grant financing was unlikely to be approved for a revenue producing project of this kind.

The Embassy understands that the Ghana Government wants the transmission system for a variety of reasons, both economic and political, and that both the World Bank and Kaiser Engineers have given study to the project. The World Bank study, based on the original Kaiser cost estimate of £G11 million and on the assumption that the mining companies would look to the Volta Project for less than half of their power needs, concluded that the system would be uneconomic. A later Kaiser study found the cost to be about £G8 million and, on the assumption that most, if not all, of the mining community would want hyuro-electric power, postulated that the inclusion of the transmission system would increase the net earnings of the Volta River Power Authority by about £G7 million during the decade ending 1976. Edgar Kaiser, in conversations with the Embassy, expressed his impression that the World Bank was now satisfied as to the economic feasibility of the transmission system but that the Bank would prefer to postpone the issue at least until the future of the main Volta Project was assured.

1/ One Ghana pound (£G) equals about $2.80

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The Embassy is not, of course, qualified to judge the technical or economic feasibility of the proposed transmission system. If, however, all interested parties agree that it is feasible, the Embassy sees a number of compelling political reasons why it should be included in the project without undue delay. These reasons are:

(1) If the project is left open, there is a strong possibility that the Soviets will make a generous offer to finance it, with the result that they will appear to be supplying power to the Ghanaian public while the West (albeit at much greater expense) will be supplying power primarily to a "capitalistic" aluminum smelter.

(2) The completion of a transmission system serving most of central and southern Ghana will obviate the need for smaller hydroelectric projects on other rivers, a program which is included in the recent Ghana/Soviet Technical Assistance Agreement (see Embassy's D-150 of September 2, 1960) for possible implementation by the Russians.

(3) The transmission system would give the population of Ghana a more direct stake in the project as a whole, and would thus tend to inhibit Soviet-inspired propaganda that the project is just another capitalist scheme to exploit the natural resources of Ghana.

(4) The transmission system is going to be built eventually in any case.

If the financial agencies concerned are prepared to risk nearly $90 million on the main project, the addition of another $23 million does not materially add to the risk and may help to reduce it.

As far as the source of finance for the transmission system is concerned, it would appear that the main point from the Ghanaian standpoint is that the interest rate be as favorable as possible. The Embassy understands that Mr. Kaiser has suggested the possibility of turning to the International Development Association if the DLF is unable to help.

For the Ambassador:

John Q. Blodgett
Second Secretary of Embassy

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